

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF AVISTA)
CORPORATION'S ANNUAL POWER COST) CASE NO. AVU-E-08-05
ADJUSTMENT (PCA) FOR RECOVERY OF)
POWER COSTS DEFERRED THROUGH)
JUNE 30, 2008) ORDER NO. 30645
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On July 28, 2008, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for an order approving a tariff Schedule 66 Temporary Power Cost Adjustment (PCA) surcharge of 0.610¢/kWh. The Commission in this Order approves the Company's Application for an effective date of October 1, 2008.

Avista's PCA mechanism is used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses. The Company's existing PCA methodology and method of recovery were approved in 2007 in Case No. AVU-E-07-01 (Order No. 30361). In that case, the Commission approved a change in the PCA methodology from a trigger and cap mechanism to a single annual PCA rate adjustment filing requirement. The Commission also approved a change in the method of PCA deferral recovery from a uniform percentage basis to a uniform cents per kWh basis.

Avista is requesting that the Commission issue an order approving recovery of power costs deferred by the Company for the period July 1, 2007 through June 30, 2008. The proposed 0.610¢/kWh PCA surcharge will replace an existing 0.267¢/kWh surcharge that expires on September 30, 2008. Order No. 30429. The proposed surcharge will recover approximately \$21.7 million in deferrals. The principal factors contributing to the higher power supply expense during the deferral period are reduced hydro-generation and high natural gas fuel costs.

Under the Company's proposal, the surcharge rate for residential customers will increase from 0.267¢/kWh to 0.610¢/kWh, or an increase of 0.343¢/kWh. For an average residential customer using 1,000 kWh per month, the monthly increase will be \$3.43. Under present rates, a residential bill for 1,000 kWh amounts to \$63.44. With the proposed surcharge in place, the monthly bill would be \$66.87, or about 5.4% higher.

The actual percentage increase for individual customers will depend on the rate schedule that the customer receives service under and on how much energy a customer uses. The proposed surcharge is spread on a uniform cents per kilowatt hour basis. The percentage increases will vary by rate schedule as shown below.

Customer Group (Schedule)		Percentage Change
Residential	Schedule 1	5.35%
General Service	Schedules 11, 12	4.29%
Large General Service	Schedules 21, 22	5.54%
Extra Large General Service	Schedule 25	7.84%
Extra Large General Service	Schedule 25P	8.38%
Pumping Service	Schedules 31, 32	5.29%
Street and Area Lights	Schedules 41-49	1.78%

The Company's Application is supported by the testimony of William G. Johnson, Wholesale Marketing Manager, and Ronald L. McKenzie, Manager of Regulatory Accounting, and related workpapers.

On August 7, 2008, the Commission issued Notices of Application and Modified Procedure in Case No. AVU-E-08-05. The deadline for filing written comments was September 17, 2008. Comments were filed by Commission Staff and three of the Company's customers. The Company's customers decry the proposed increase and recommend that the Company's Application be denied. Staff performed a review and audit of the amounts that went into the Company's PCA deferral balance, verifies the accuracy of the account entries, and concludes that the accounting transactions appear reasonable at the time they were made. Staff recommends that the Commission accept the audited deferral balance of \$20,966,915 presented in the Company's filing and approve the Company's proposed PCA surcharge rate of 0.610¢/kWh effective for the period of October 1, 2008 through September 30, 2009. Staff's comments can be summarized as follows:

Staff performed a review and audit of the amounts that went into the PCA deferral balance in the current Avista filing. The Company's PCA net deferral activity, Staff states, represents the Idaho jurisdictional share of the excess power costs and associated revenue adjustments deferred under the PCA mechanism by Avista for the 12 months ended June 30, 2008. The main component of the net deferral is the Net Increase in Power Supply Costs, FERC

Accounts 555, 501, 547, and 447. Along with the costs of serving load using Company-owned resources, these PCA accounts include additional power purchase costs when market prices are lower than generation costs. Generation costs associated with off-system sales are offset by the revenue from those sales. The total net increase in power supply cost, \$20,966,915, is comprised of the following nine items:

1. FERC Account 555 - Purchased Power	\$51,041,605
2. FERC Account 501 - Thermal Fuel	2,315,207
3. FERC Account 547 - CT Fuel	12,292,311
4. FERC Account 447 - Sales for Resale	-24,050,238
5. All Potlatch Revenues and Expenses	-6,403,024
6. FERC Account 557 - Resource Optimization	468,320
7. Idaho Retail Revenue Adjustment	-15,301,748
8. Second Half Coyote Springs 2 Transmission Credit	<u>-14,059</u>
Subtotal	\$20,348,374
9. Interest on Deferral	<u>618,541</u>
Total Deferrals plus Interest	<u>\$20,966,915</u>

A detailed explanation of each item is set forth in Staff's comments.

Staff notes that the proposed rate is an estimate of the rate required to recover the unrecovered deferral balance of \$20,966,915 (deferrals of \$20,348,374 and interest of \$618,541). To the extent that the rate does not recover the approved deferral balance, the difference is carried into a subsequent PCA filing and trued up.

The PCA reporting period runs from July to June; however the recovery period runs from October to September. The current surcharge of 0.267¢/kWh began October 1, 2007 and will expire September 30, 2008. At that time, any over- or under-collection of the prior surcharge will be recorded in the October 2008 PCA report and be subject to review and recovery in the 2009 PCA case.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. AVU-E-08-05 including the comments and recommendations of Commission Staff and Avista

customers. We continue to find that Modified Procedure is appropriate and that the public interest does not require a hearing to consider the issues presented in this case. RP 204.

The Commission accepts the audited deferral balance of \$20,966,915 presented in the Company's filing and finds it reasonable to approve a tariff Schedule 66 Temporary PCA surcharge rate of 0.610¢/kWh for the period October 1, 2008 through September 30, 2009.

The Commission encourages customers who qualify for energy assistance to apply for the federally-funded Low Income Home Energy Assistance Program (LIHEAP). Bill payment assistance is also available from organizations such as Project Share. For more information regarding assistance programs, customers should contact the local Community Action Agency, Avista Utilities, the Idaho Public Utilities Commission, or the 2-1-1 Idaho Care Telephone Line.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, an electric utility, and the issues raised in this case, by virtue of Title 61, Idaho Code, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

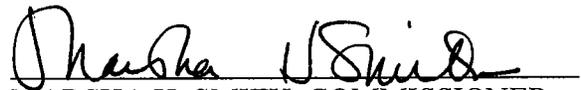
ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the Application of Avista for authority to implement a tariff Schedule 66 Temporary PCA surcharge rate of 0.610¢/kWh is approved for an effective date of October 1, 2008. The Company is directed to file conforming tariffs.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of September 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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